

(1) Bid format—(i) Treasury bills. A competitive bid must show the discount rate bid, expressed with three decimals in .005 percent increments. The third decimal must be either a zero or a five, e.g., 5.320 or 5.325. Fractions may not be used.

(ii) *Treasury fixed-principal securities*. A competitive bid must show the yield bid, expressed with three decimals, e.g., 4.170. Fractions may not be used.

(iii) *Treasury inflation-indexed securities*. A competitive bid must show the real yield bid, expressed with three decimals, e.g., 3.070. Fractions may not be used.

(2) Maximum recognized bid. There is no limitation on the maximum dollar amount that a bidder may bid for competitively, either at one yield or discount rate, or at different yields or discount rates. However, a competitive bid at a single yield or discount rate that exceeds 35 percent of the offering amount will be reduced to that amount. For example, if the offering amount is \$10 billion, the maximum bid amount that will be recognized at any one yield or discount rate from any bidder is \$3.5 billion. (See § 356.22 for award limitations.)

[58 FR 414, Jan. 5, 1993, as amended at 60 FR 13907, Mar. 15, 1995; 62 FR 851, Jan. 6, 1997; 62 FR 32033, June 12, 1997; 62 FR 43093, Aug. 12, 1997; 63 FR 4187, Jan. 28, 1998; 67 FR 68516, Nov. 12, 2002]

#### § 356.13 Net long position.

(a) *Reporting net long positions*. When bidding competitively, a bidder must report the amount of its net long position when the total of all of its bids in an auction plus the bidder's net long position in the security being auctioned equals or exceeds the net long position reporting threshold amount. The net long position reporting threshold amount for any particular security will be stated in the offering announcement for that security. (See § 356.10.) That amount will be 35 percent of the offering amount, unless otherwise stated in the offering announcement. If the bidder either has no position or has a net short position and the total of all of its bids equals or exceeds the net long position reporting threshold amount, a net long position of zero must be reported. In cases where a bid-

der that is required to report the amount of its net long position has more than one bid, the bidder's total net long position should be reported in connection with only one bid. A bidder that is a customer must report its reportable net long position through only one depository institution or dealer. (See § 356.14(c).)

(b) *Determination of net long position*.

(1) The net long position must be determined as of the designated reporting time, which is one-half hour prior to the closing time for receipt of competitive bids. Except as modified in (b)(2) in the event of a reopening, a net long position includes the par amount of:

(i) Holdings of outstanding securities with the same CUSIP number as the security being auctioned;

(ii) Holdings of STRIPS principal components of the security being auctioned; and

(iii) Positions, in the security being auctioned, in

(A) When-issued trading, including when-issued trading positions of the STRIPS principal components;

(B) Futures contracts that require delivery of the specific security being auctioned (but not futures contracts for which the security being auctioned is one of several securities that may be delivered, and not futures contracts that are cash-settled); and

(C) Forward contracts that require delivery of the specific security being auctioned or of the STRIPS principal component of that security.

(2) In a reopening (i.e., additional issue) of an outstanding security, a bidder may subtract the published exclusion amount for that security from: its holdings of the outstanding securities (paragraph (b)(1)(i) of this section) combined with its holdings of STRIPS principal components of the security being auctioned (paragraph (b)(1)(ii) of this section). The amount of holdings that may be excluded from the net long position calculation will be specified in the Treasury offering announcement for that auction. A bidder may not take the exclusion if its combined holdings are zero or less than zero. The exclusion is optional for bidders. However, if a bidder takes the exclusion, it must include any holdings in excess of the exclusion amount in calculating its

net long position. If the published exclusion amount is greater than the bidder's combined holdings (paragraphs (b)(1)(i) and (ii) of this section), the combined holdings may be calculated as zero, but cannot be included in the calculation as a negative number.

[58 FR 414, Jan. 5, 1993, as amended at 62 FR 25115, May 8, 1997; 62 FR 43093, Aug. 12, 1997; 66 FR 56761, Nov. 13, 2001; 67 FR 68516, Nov. 12, 2002]

**§ 356.14 Submitting bids for customers.**

Depository institutions and dealers may submit bids for their own account, for their customers, or for customers of intermediaries, subject to the requirements set out in paragraphs (a), (b), and (c) of this section. Others are permitted to submit bids only for their own account.

(a) *Payment.* By submitting a bid on behalf of its customer or a customer of any intermediary, a submitter agrees to remit payment for securities awarded as a result of such bid.

(b) *Customer lists.* A customer list must be submitted or be available, as provided in paragraphs (b) (1), (2) and (3), whenever bids for more than one customer are included on the same tender. The customer list must include direct customers of the submitter as well as customers of any intermediaries who are forwarding customer bids to the submitter.

(1) For competitive bids submitted by paper tender, the submitter must provide a separate tender for each yield or discount rate at which a bid is submitted. As a part of such tender, the submitter must provide a list that includes the full name of each customer and the amount bid by each customer. For competitive bids submitted by computer, the submitter may submit bids at multiple yields or discount rates on the same tender. On each such tender, the submitter must submit the full name of each customer and the amount bid at each yield or discount rate by each customer.

(2) For noncompetitive bids, a list must be provided that includes the full name of each customer and the amount bid by each customer. For mailed tenders, the customer list must be submitted with the tender. For other than mailed tenders, the customer list

should accompany the tender. If the customer list is not submitted with the tender, information for the list must be complete and available for review by the deadline for submission of non-competitive tenders, and must be received by the Federal Reserve Bank to which the tender was submitted by close of business on the auction day.

(3) Bids submitted on behalf of trusts or other fiduciary estates must identify on the customer list the full name or title of the trustee or fiduciary; a reference to the document creating the trust or fiduciary estate with date of execution; and the employer identification number of the trust or fiduciary estate.

(c) *Net long position of customers.* (1) A submitter or intermediary, when submitting or forwarding a competitive bid of \$100 million or more for its customer, must inform that customer of the customer's net long position reporting obligation as described in § 356.13.

(2) A submitter or intermediary, when submitting or forwarding a competitive bid for a customer, must report the net long position amount if such amount is provided by the customer.

(3) If personnel of a submitter or intermediary who are directly involved in receiving or forwarding a customer's bid know that the position information provided by a customer is incorrect, the customer's bid shall not be submitted or forwarded by the submitter or intermediary.

(4) If the amount of a customer's net long position is to be reported by the submitter by paper tender, a separate tender must be submitted for that customer that includes the amount of the net long position.

**§ 356.15 Bidding through investment advisers.**

(a) *General.* Where bids or positions of a person or entity are controlled by an investment adviser, such bids or positions are considered to be a controlled account, separate from the bids and positions of any person or entity with which they would otherwise be associated under the bidder definitions in appendix A of this part. The investment adviser may bid for controlled accounts